

TURKISH – ARMENIAN RAPPROCHEMENT AS AN OBSTACLE TO THE  
NABUCCO GAS PIPELINE PROJECT

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## Introduction

The central question of this research project is: will the recent Turkish rapprochement with Armenia cause Azerbaijan to divert its gas resources to Russia, thus stalling the NABUCCO gas pipeline project? This question involves understanding the nature of the Armenia-Azerbaijan Nagorno Karabakh (NK) conflict and determining the success factors for the realization of the NABUCCO project by drawing parallels with the Baku–Tbilis–Ceyhan pipeline, which is an earlier oil project.<sup>1</sup> This research project does not aim to provide a comprehensive assessment of the threats to the planned NABUCCO gas pipeline project. Rather, it specifically investigates the issue of Turkish-Armenian rapprochement and its implications for Azerbaijan’s endorsement of NABUCCO.

The importance of this research question is twofold. Firstly, the construction of the NABUCCO gas pipeline will help Turkey, an important NATO member and U.S. ally, to bolster its position as one of the leading regional countries. Secondly, the creation of the pipeline will help create an alternative energy corridor for the EU, whose energy vulnerability was revealed during Russian-Ukrainian gas crisis of 2005 and 2006.

German Chancellor Angela Merkel, in her recent meeting with President Ilham Aliyev of Azerbaijan stated that the NABUCCO is of utmost importance for the EU.<sup>2</sup> Secondly, the completion of the NABUCCO project will help Azerbaijan and Georgia receive much-needed commercial benefits. According to Richard Morningstar, South Caucasus, located right in the backyard of the EU, is an important region for regional security, and diverse

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<sup>1</sup> See appendix 1 and 2 for BTC and NABUCCO maps

<sup>2</sup> Thomas de Waal, “Armenia and Turkey: The Truce in Need of a Rescue,” *Los Angeles Times*, February 5, 2010, <http://articles.latimes.com/2010/feb/05/opinion/la-oe-barkey5-2010feb05?pg=2>.

and independent energy supply corridors for Caspian gas resources will help Azerbaijan especially to quote higher gas prices, while helping both the Azerbaijani and Georgian economies to grow.

The planned NBAUCCO gas pipeline project is an important element in assisting Turkey in becoming a leading energy transit country in the region. Turkey is playing an increasingly important role in the region and becoming a large energy hub. Its proximity to such large energy resources as Iran, Iraq, Russia, and the Caspian on the one hand, and such a large market as the EU on the other, allows Turkey to play an important role with respect to energy supply to Europe. It is well understood in Turkey that a project like the NABUCCO pipeline will increase its potential as a regional energy power. Most importantly, the NABUCCO will be an alternative energy pipeline to lessen the EU's dependence on single source—Russia.

Turkey is a strategically located country between Asia and Europe and is an important partner of the United States and NATO in the greater Middle East, South Caucasus, and European regions. Turkey has traditionally attached great importance to its relations with the EU. Over the past few years, Ankara has started to play an even more important role in the South Caucasus and Middle East—Ankara's mediating role between Israel and Syria as well as its rapprochement with Armenia are signs of Turkey's attempts at stabilizing its own neighborhood.<sup>3</sup> Ankara's current foreign policy course is unofficially titled “zero problems with neighbors.” Furthermore, its proactive diplomacy

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<sup>3</sup> Roni Sofer, “Israel, Syria Holding Direct Talks in Turkey,” Ynet News, March 21, 2008

is reflected in its quest to enter Middle Eastern and Caspian energy resources.<sup>4</sup>

Turkey is a key transit country for energy transportation to the EU. By virtue of its location and foreign policy course, Turkey is becoming a hub for both Caspian and Russian oil and gas resources.

The planned NABUCCO pipeline, which is intended to diversify the EU's energy supplies, is unfortunately currently experiencing serious setbacks in its implementation. Setbacks such as Azerbaijan's warning to divert its gas resources away from NABUCCO to Russia were especially noticeable after the waves of Turkish-Armenian rapprochement that culminated in signing the Geneva protocols in October 2009 that established diplomatic relations between the two countries.<sup>5</sup> Currently Azerbaijan's major concern is the possibility of opening the borders between Turkey and Armenia.

The potential target audiences of this research paper are Turkish policymakers and the Turkish policy expert community.

## **Chapter 1**

### **NABUCCO**

The NABUCCO gas pipeline is planned to be operational by 2014. It is planned to be a 3300 km long pipeline that will carry Azerbaijani gas, and possibly Central Asian as well as Iraqi gas, to Europe. At first, the pipeline will be constructed on the territories of Azerbaijan, Georgia, and Turkey. From Turkey, the pipeline would join existing gas

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<sup>4</sup> Emrullah Uslu, "Ahmet Davutoglu: The Man behind Turkey's Assertive Foreign policy," March 25, 2009,

[http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=34754](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34754).

<sup>5</sup> Brian Whitmore, "Azerbaijan Could Scuttle NABUCCO over Turkey-Armenia Deal," Radio Free Europe, October 19, 2009,

[http://www.rferl.org/content/Azerbaijan\\_Could\\_Scuttle\\_Nabucco\\_Over\\_TurkeyArmenia\\_Deal/1855784.html](http://www.rferl.org/content/Azerbaijan_Could_Scuttle_Nabucco_Over_TurkeyArmenia_Deal/1855784.html).

transportation facilities within Turkey to pass gas further on to Europe.

Current delays in the implementation of the NABUCCO gas pipeline are attributable to many factors, among which could also be the NK conflict between Armenia and Azerbaijan and Turkey's rapprochement with Armenia.<sup>6</sup>

Despite the gravity of the hard security situation in the South Caucasus, current thinking in the literature on the NABUCCO gas pipeline mainly revolves around two issues:<sup>7</sup> 1) Russia's opposition,<sup>8</sup> 2) Azerbaijan's insufficient gas deposits to fully supply the pipeline. Yet, there is no in-depth research directly linking the NK conflict to the realization of the NABUCCO project. The media, however, has covered numerous problems.

Russia has its own idea of how the European energy transit diversification should be achieved and consequently has Nord Stream, a gas pipeline that goes directly to Germany via the Baltic, and South Stream, which will go underneath the Black Sea directly to Bulgaria. Both pipelines reach the EU without passing through the territories of former Soviet Union countries that are not yet members of the EU. It is important to dwell on the South Stream project's implications for the NABUCCO project. By allocating certain financial assets to the South Stream project, several EU countries lessen their chances of getting involved more closely in the NABUCCO project. In other words,

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<sup>6</sup> Bala Chelebi Shenturk, "The Southern Energy Corridor in context," May 8, 2009, Today's Zaman, <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=174626>.

<sup>7</sup> "EU Rules out Funding NABUCCO Gas Pipeline," EurActiv Network, January 28, 2009, <http://www.euractiv.com/en/energy/eu-rules-funding-nabucco-gas-pipeline/article-178913>.

<sup>8</sup> "NABUCCO Construction to Begin in 2011," Roconsulboston, October 23, 2009, <http://www.roconsulboston.com/Pages/InfoPages/Commentary/OilEmp/NabuccoAgrmt09.html>.

similar projects will divert the attention of the NABUCCO participating states to the South Stream. One such example is Hungary, a NABUCCO participant that agreed to join the South Stream project along with NABUCCO pipeline.<sup>9</sup> Secondly, in addition to Russian opposition to the NABUCCO pipeline in the form of competing pipelines, Russia also has its eyes on Turkmenistan's and Azerbaijan's gas, both of which are potential NABUCCO suppliers. Azerbaijan has agreed on selling 1000 billion cubic meters (bcm) of gas to Russia, which has certainly created more tension regarding the future of the NABUCCO pipeline.

Secondly, the insufficiency of Azerbaijan's gas resources has been widely discussed in the media and Azerbaijan agreeing to sell 1000 bcm of gas to Russia has further intensified this argument.<sup>10</sup> It is argued that Azerbaijan will only be able to provide gas for the first phase of NABUCCO's implementation, which is only one-third of the proposed pipeline's capacity. In this regard, there are more discussions on including Iran and Iraq in the NABUCCO project.<sup>11</sup> Iranian participation, however, is a very controversial issue given current U.S.-Iranian relations.

Both issues related to the implementation of the NABUCCO gas pipeline project have been widely discussed in American, Azerbaijani, European, and Russian media outlets. In order to provide further insight into problems encountered by the NABUCCO gas pipeline, it is necessary to discuss recent Turkish-Armenian

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<sup>9</sup> "Russia Wins Hungary's support for South Stream pipeline," EurActiv, March 11, 2009, <http://www.euractiv.com/en/energy/russia-wins-hungary-support-south-stream-pipeline/article-180126>.

<sup>10</sup> "Баку диверсифицируется" (Azerbaijan is diversifying), Sohbet Mamedov, Nezavisimiaya Gazeta, January 14, 2010, [http://www.ng.ru/cis/2010-01-14/6\\_baku.html](http://www.ng.ru/cis/2010-01-14/6_baku.html).

<sup>11</sup> "Iran ready to contribute to NABUCCO," Islamic Invitation, November 22, 2009, <http://www.islamidavet.com/english/2009/11/22/iran-ready-to-contribute-to-nabucco/>.



rapprochement and its impact on the possible threat to the implementation of the pipeline.

### **The NK conflict between Armenia and Azerbaijan**

The NK conflict is a protracted conflict between Armenia and Azerbaijan dating back to before the collapse of the Soviet Union. As a result of the conflict, over 16 percent of the territory of Azerbaijan is still occupied by neighboring Armenia. The conflict resulted in serious crises for both countries, and was especially evident in Azerbaijan, which received almost 1 million refugees and internally displaced persons (IDPs) from both Armenia proper and the NK region of Azerbaijan that was occupied by Armenia.<sup>12</sup>

The conflict involves both an intra-state dimension, which is the fight for independence by the Armenian population of NK, and an inter-state dimension, which involves the sovereign states of Armenia and Azerbaijan as warring parties. Key to understanding the nature of the conflict, however, lies in the fact that both Armenians and Azerbaijanis dispute the NK region on historical grounds. Azerbaijanis state that NK has always been under the Azerbaijani/Turkic rule while the Armenians claim that Azerbaijanis settled in the NK much later, and as a result, have no right to make real claims on the land.<sup>13</sup>

Under the Soviet rule, this conflict remained dormant, but Soviet *glasnost* (openness) in the late 1980s allowed for more freedom of speech. This enabled the Armenian Academy of Sciences to collect hundred thousands of signatures demanding the annexation of the NK region from Azerbaijani Soviet Socialist Republic (SSR) to

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<sup>12</sup> Svante Cornell, "The Nagorno Karabakh Conflict," 1999, p. 31,,  
[http://www.silkroadstudies.org/new/inside/publications/1999\\_NK\\_Book.pdf](http://www.silkroadstudies.org/new/inside/publications/1999_NK_Book.pdf).

<sup>13</sup> Ibid., p. 24.

Armenian SSR.<sup>14</sup> After this, tensions escalated in the NK region between Armenians and Azerbaijanis. On June 15, 1988, the Armenian Supreme Soviet (Parliaments were called Supreme Soviet in the Soviet Union) passed a resolution demanding the transfer of the NK region to Armenia SSR. Azerbaijani SSR rejected the demand, stating that it was against the constitution of the Soviet Union and that the resolution infringed on Azerbaijan SSR's territorial integrity. Moscow supported Azerbaijan in this case and confirmed the decision of Azerbaijani SSR. Moscow's decision, however, strengthened the determination of Karabakh Armenians to secede from the Azerbaijani SSR. Consequently, violent clashes began between the Azerbaijanis and Armenians within the NK region in 1988.<sup>15</sup>

Currently, the conflict is mediated by the Organization of Security and Cooperation in Europe (OSCE) and the Minsk Group, with co-chairs from France, Russia, and the United States. According to the deputy foreign minister of Azerbaijan, Araz Azimov, Azerbaijan's position on the NK conflict is based on two principles: 1) all occupied territories have to be returned under the control of Azerbaijan, and 2) the IDPs must return to NK. Only after that can new mechanisms for a joint Armenian-Azerbaijani living in Karabakh be developed.<sup>16</sup>

Even though the conflict between Armenia and Azerbaijan ended in 1994 due to a ceasefire agreement, negotiations on the final status of the currently Armenia-controlled NK region are still in progress. So far, no substantial results have been achieved. The

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<sup>14</sup> Cornell, "The Nagorno Karabakh Conflict," p. 26

<sup>15</sup> Ibid., p. 45.

<sup>16</sup> E. Veliyev, "Позиция Азербайджана по Карабаху остается прежней" (Position of Azerbaijan on Nagorno Karabakh remains same), Zerkalo, Baku, Azerbaijan, May 5, 2009, <http://www.inosmi.ru/caucasus/20090506/248899.html>.

restoration of territorial integrity of Azerbaijan, as well as the return of nearly one million IDPs to their lands, remains a key priority of Azerbaijani foreign policy.<sup>17</sup>

The August 2008 war between Russia and Georgia, however, changed the political realities in the South Caucasus. Russia has become more active in trying to mediate the NK conflict. The Moscow Declaration of November 2, 2008, on regulation of the NK conflict, signed by President Serzh Sargsyan of Armenia, Aliyev of Azerbaijan, and President Dmitri Medvedev of Russia is one of the most noticeable results of Russia's more active policy.<sup>18</sup> Closer relations between Russia and Turkey as well as Russia and the United States could also play a positive role in lessening the antagonism around the NK. Turkish-Armenian rapprochement could also be positively affected if the current momentum to achieve progress in the NK conflict negotiations is not missed.

#### **Turkey's Role in the NK conflict**

After the collapse of the Soviet Union in 1991, Turkey was very active in engaging Turkic republics of the former Soviet Union, especially at the early stages of their independence. It has developed its closest relations with Azerbaijan—in addition to having a similar ethnic, cultural, and linguistic background, Turkey was the first state to recognize Azerbaijan's independence after the dissolution of the Soviet Union. Since then, the two countries have enjoyed a long period of close cooperation that has led to the

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<sup>17</sup> "Nagorno Karabakh Getting to a Breakthrough," International Crisis Group, October 7, 2009, p. 1

<sup>18</sup> Liz Fuller, "A Moscow Declaration Victory for Armenia," Radio Free Europe, November 3, 2008, [http://www.rferl.org/content/Moscow\\_Declaration\\_A\\_Victory\\_For\\_Armenia/1337592.html](http://www.rferl.org/content/Moscow_Declaration_A_Victory_For_Armenia/1337592.html).

development of a strategic partnership.<sup>19</sup>

Turkey has been a staunch ally of Azerbaijan and has been the only country in the region that has supported Azerbaijan's position in its war with Armenia. In solidarity with Azerbaijan, Turkey closed its borders with Armenia and broke all diplomatic relations in 1993, and has supported Azerbaijan on the regional and international levels within international organizations. Besides ethnic ties, Turkey's choice of Azerbaijan in this war was also dictated by its long-standing historical problems with Armenia since Ottoman times. Turkish-Armenian skirmishes over the Armenian genocide allegations continue to serve as an important barrier in their relations.

Close ties between Turkey and Azerbaijan can also be seen in regional energy cooperation. Currently operational, the Baku–Tbilisi–Ceyhan (BTC) oil pipeline is one example of that cooperation. The pipeline extends from Baku, the capital of Azerbaijan, through Tbilisi, the capital of Georgia, to the Turkish Mediterranean port of Ceyhan. This pipeline does not include Armenia despite the fact that it could have been cheaper to extend the pipeline through Armenia rather than Georgia due to the Armenia's proximity to Ceyhan. Turkey, however, was interested in the pipeline and understood that without Azerbaijan, it would not have access to the Caucasus and Central Asian energy resources. And it was clear that Azerbaijan would not be involved in the process if Armenia was included. Hence, the pipeline served as a main driver for close cooperation.<sup>20</sup>

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<sup>19</sup> Enes Canseven, "Turkey and Azerbaijan: Sister Countries Becoming Eurasian Powerhouses Through Projects," *Today's Zaman*, May 29, 2009, <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=176664>.

<sup>20</sup> Zeyno Baran, "The Baku–Tbilisi–Ceyhan Pipeline: Implications for Turkey," *Silk Road Studies*, 2006, [http://www.silkroadstudies.org/BTC\\_6.pdf](http://www.silkroadstudies.org/BTC_6.pdf).

Throughout the 1990s and almost until the end of the 2000s, Azerbaijan also benefited from Turkish cooperation, both in terms of having Turkey for an ally and strengthening its relations with the West to be on equal footing with Armenia on the NK conflict. Armenia's close political-military collaboration with Russia, which will be discussed in more detailed in the next section, worried Azerbaijan at that time. Azerbaijani government representatives have repeatedly stated that Azerbaijan will not include Armenia in any regional energy projects, unless it withdraws from occupied Azerbaijani territories in and around NK.<sup>21</sup> According to Elnur Aslanov, head of the political analysis and information department at Azerbaijan's presidential administration, the only way for Armenia's inclusion into regional energy projects is its liberation of the occupied territories.<sup>22</sup>

#### **Case study: BTC oil pipeline**

Discussing the BTC oil pipeline is important in order to demonstrate how Turkey's and Azerbaijan's positions were in line during its construction as opposed to current debates on NABUCCO's implementation. Currently operational, the BTC pipeline is a 1760 km long oil pipeline through Azerbaijan, Georgia, and Turkey, and is led by an international consortium of oil companies. The pipeline was constructed from 2002 to 2006. The International Financial Corporation and the European Bank of Reconstruction and Development are the main financial contributors of the project. (Their estimated contribution is \$2.6 billion.)<sup>23</sup> In order to understand the importance of drawing

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<sup>21</sup> Elnur Aslanov, interview conducted by author, Washington D.C., February 10, 2010.

<sup>22</sup> Ibid.

<sup>23</sup> European Bank of Reconstruction and Development, stakeholders meeting in Turkey, Azerbaijan, Georgia, July 23, 2003, <http://www.ebrd.com/new/pressrel/2003/93July23.htm>.

parallels between the political situation during the BTC's construction period and currently during the NABUCCO pipeline's planning, it is important to focus on some facts.

Key to the BTC's success was Turkey's close relationship with Azerbaijan. Turkey is the only corridor providing Europe with energy supplies from the Caspian that do not pass through Russian territory. The BTC pipeline enjoyed considerable support from the EU, Turkey, and the United States.<sup>24</sup> Turkey first proposed this project in 1993 and this was the first document signed between the government of Azerbaijan and Turkey on the BTC. For Turkey, the BTC was an important project, as it was part of the so-called "Southern energy corridor." In early discussions of the BTC, the economic component of the project was not even discussed.<sup>25</sup> Turkey attached great geopolitical importance to this project. Among other issues, there were two reasons why Turkey supported the BTC: 1) Western access to the Caspian oil through Turkey would provide first-hand access to the Caspian oil and also bolster Turkey's leverage in the region, and 2) at that time, Turkey's foreign policy was more focused on its relations with the EU, NATO, and the United States. Turkey was actively lobbying for the integration of the newly independent states of Georgia and Azerbaijan into European and other regional organizations, and the BTC was needed to cement their integration into those organizations.<sup>26</sup> Additionally, given the U.S. interest in completing the BTC, Turkey's active support for the project

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<sup>24</sup> Interview with Ivan Danilin, "BTC as Security guarantee for Nagorno Karabakh," Regnum, June 7, 2006, <http://www.regnum.ru/english/652005.html>.

<sup>25</sup> Baran, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey."

<sup>26</sup> Baran, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey."

was an important anchor in its relations with the United States.<sup>27</sup>

The BTC also enabled Turkey to cement its partnership with Azerbaijan and Georgia. Regular meetings between the three governments helped them achieve more regional cohesiveness. It was important because both Azerbaijan and Georgia were aspiring to build close ties with NATO and the EU—strategic partnership with Turkey helped them get closer to that goal.<sup>28</sup> For the United States, it was important to provide for Europe’s energy security and to ensure energy diversification. The Clinton administration was actively supporting this project, which resulted in building a strong political alignment in both the EU and Turkey.<sup>29</sup>

Despite the high level of commitment by the stakeholders and sponsors of the BTC, the realization of the project faced considerable political challenges. The main objector was Russia. Russia mainly argued that the project was not commercially viable and, therefore, it was merely a geopolitical move to lessen Russian influence in the Caucasus.<sup>30</sup> Russian skepticism was also driven by their discomfort that the BTC was not passing through their territory.

The Russian position on the transportation of energy resources from the Caspian region became clearer in 1995 after the Caspian Consortium Company (CTC) was built. Russia held 25 percent of CTC’s stock and actively lobbied for the transportation of Kazakh oil through Russian territory. The CTC was completed in 2001 and, since then, a

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<sup>27</sup> Ibid .

<sup>28</sup> Ibid .

<sup>29</sup> “US – Azerbaijan/foreign Policy,” Heydar Aliyev Heritage Research Center, October 28, 2000, <http://library.aliyev-heritage.org/en/5273168.html>.

<sup>30</sup> Shahin Abbasov, “Pipeline Opening Helps Spur Political Opposition in Azerbaijan,” June 6, 2005, <http://www.eurasianet.org/departments/insight/articles/eav060605.shtml>.

significant amount of Kazakh oil has been shipped to Europe through the Russian Black Sea port and Turkish Bosphorus strait.<sup>31</sup> In 2005, however, Turkey, citing ecological concerns, threatened to reduce oil transportation through the Bosphorus. This led Kazakhstan to consider using the safer BTC pipeline by shipping oil via tankers across the Caspian to fill the BTC.<sup>32</sup> This is another sign of support that Turkey attributed to the BTC as opposed to its current policy with regard to Caspian gas and the NABUCCO pipeline.

The BTC was an important project for Azerbaijan as well. Besides its commercial benefits, by delivering alternative energy corridors to the EU, Azerbaijan wanted to better integrate with Europe as well as the United States—Azerbaijan wanted to gain more support of the Euro-Atlantic communities.<sup>33</sup> The unresolved nature of the NK conflict was the main reason why Azerbaijan actively endorsed an alternative to the Russia energy corridor in the form of the BTC. Russian support for Armenia in the NK conflict was also an incentive for Azerbaijan to seek support in Turkey and the West. Russia has been repeatedly suspected of transferring large amount of arms to Armenia during and after the latter's war with Azerbaijan over the NK.<sup>34</sup> Moreover, Russia and Armenia are bound together with the Russia-dominated Collective Security Treaty

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<sup>31</sup> "Caspian Pipeline Consortium—General Information,"

<http://www.cpc.ru/portal/alias!press/lang!en-us/tabID!3357/DesktopDefault.aspx>

<sup>32</sup> Roman Kupchinski, "Caucasus: Is The BTC Oil Pipeline Saving Europe From Russia Or From OPEC?" Radio Free Europe, May 31, 2005,

<http://www.rferl.org/content/article/1059060.html>.

<sup>33</sup> Luk Allnut, "Azerbaijan: BTC Inauguration Sign Of Baku's Growing Strength," July 12, 2006,

<http://www.rferl.org/content/article/1069787.html>.

<sup>34</sup> "Russia Denies Fresh Arms Transfers to Armenia," Armenian News Asbarez, January 14, 2009,

<http://www.asbarez.com/59917/russia-denies-fresh-arms-transfer-to-armenia/>.



Organization (CSTO) that institutionalizes their political-military alliance. Alternatively, Azerbaijan, along with other former Soviet countries such as Georgia, Moldova, and Ukraine founded the GUAM (Georgia, Ukraine, Azerbaijan, and Moldova) Organization for Democracy and Economic Development. None of the GUAM members have joined the CSTO.

There are several factors that were present in the mid-1990s and early 2000s that facilitated the construction of the BTC. First of all, Azerbaijan, Georgia, and Turkey were able to agree on the construction of the pipeline on their territories. Because of its unresolved conflict with Armenia, as an oil exporter, Azerbaijan only agreed to let its oil flow through Georgia rather than Armenia, which is a more expensive route. Prior existence of another pipeline, the Baku–Tbilisi–Supsa oil pipeline that bypassed both Armenia and Russia, also confirms the fact that Azerbaijan sought closer relations with Turkey and the West.

Despite intense energy projects and cooperation in the region, Armenia was left out of these developments mainly because Azerbaijan was influential enough to exclude Armenia by demanding the resolution of the NK conflict before any energy engagement. And Turkey supported Azerbaijan's position. The near isolation of Armenia has had lasting economic consequences for the country. It is economically disadvantaged because it still lacks access to either Turkish or Azerbaijani markets. A closed border with Turkey has also precluded Armenia's links to Europe. Even though Armenia enjoys good relations with Russia, the two countries do not share a common border, which complicates their trade relations.

Overall, the BTC pipeline was an important project for Azerbaijan and served to cement its relations with the West by attracting investment and emphasizing its own strategic importance. Russia's close cooperation with Armenia in the NK conflict and their institutional military interactions within the CSTO prompted Azerbaijan to seek allies elsewhere through projects such as the BTC or the GUAM organization, and for better or for worse, Azerbaijan was successful.<sup>35</sup>

## **Chapter 2**

### **Introduction**

Current politics around the construction of the NABUCCO gas pipeline differ greatly from that around the BTC oil pipeline. There are two different aspects between the NABUCCO and the BTC eras: 1) Turkey's changing of its foreign policy course, and 2) a more assertive and stronger Russia in the Eurasian energy market. For the purpose of this thesis, this chapter will focus more on the changes in Turkey's foreign policy and its impact on the delay of the NABUCCO project's implementation by Azerbaijan. The chapter will also cover the new position of Russia in the Eurasian energy market.

### **New Turkish foreign policy**

Turkey's aspirations to become a rising power in the region are evident from its new foreign policy initiatives. Turkey signed agreements with Iraq and Syria in order to establish a strategic partnership, has been engaged in mediation in conflicts in the Middle East, and has taken unprecedented steps at normalizing relations with Armenia.<sup>36</sup> Turkey

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<sup>35</sup> Fariz Ismailzade, "Russian Arms to Armenia Could Change Azerbaijan's Foreign Policy Orientation," Central Asia–Caucasus Institute, January 28, 2009, <http://www.cacianalyst.org/?q=node/5021>.

<sup>36</sup> "Turkey to Broker Peace Agreement between Syria and Israel," Asumatria TV, January 30, 2010,

is also moving to become a regional energy hub. Turkish Foreign Minister Ahmet Davutoğlu in his December 2009 speech provided a comprehensive overview of the changing Turkish foreign policy. The key issue in his speech was that Turkey has its vision for the Middle East, Balkans, Caucasus, and its relations with the EU as well as NATO. Davutoğlu said that all these regions and organizations are part of the new diversified Turkish foreign policy.<sup>37</sup> According to Alexandros Petersen, senior fellow at the Eurasian Energy Center of the Atlantic Council of the United States, Turkey's agreements with EU member states with regard to the NABUCCO gas pipeline and with Russia on the NABUCCO's competitor, the South Stream project, with Qatar on liquefied natural gas and a possible pipeline, with Azerbaijan on gas supplies for its isolated Nakhchivan autonomous region, and additionally with Syria on gas imports, are all indications of Turkey's energy ambitions, and have been noticed by the greater international community.<sup>38</sup>

Turkey also continues an active dialogue with the EU on its membership potential. Its diversified policy of “zero problems with neighbors” is right on track.<sup>39</sup> One of the most important architects of Turkey's new, assertive diplomacy is its current

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<http://www.alsumaria.tv/en/World-News/2-44033-Turkey-to-broker-peace-agreement-between-Syria-and-Israel.html>.

<sup>37</sup> “Address by Turkish Foreign Minister Ahmet Davutogly at SETA”, Turkish Weekly, December 18, 2009

<http://www.turkishweekly.net/news/94008/address-by-turkish-foreign-minister-of-republic-of-turkey-ahmet-davutoglu-at-the-seta.html>

<sup>38</sup> Alexandros Petersen, “Turkey's Multivector Energy hub: ignore at your own peril”, Radio Free Europe, August 31, 1009

[http://www.rferl.org/content/Turkeys\\_Multivector\\_Energy\\_Hub\\_Ignore\\_At\\_Your\\_Peril/1811254.html](http://www.rferl.org/content/Turkeys_Multivector_Energy_Hub_Ignore_At_Your_Peril/1811254.html)

<sup>39</sup> Uslu, “Ahmet Davutoğlu: The Man Behind Turkey's Assertive Foreign Policy,” March 25, 2009,

[http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=34754](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34754).

minister of foreign affairs, Davutoğlu.<sup>40</sup> Davutoğlu served as a chief policy advisor to the Prime Minister Recep Tayyip Erdoğan from 2003 to 2009, when he was appointed foreign minister. His foreign policy doctrine is based on his famous book *Strategic Depth*, where his main argument is that Turkey should take advantage of its past cultural and political ties, which lie in former Ottoman regions as well as in the Caucasus and Central Asia.<sup>41</sup> This, however, does not mean that Turkey will distance itself from the West. Turkey's EU agenda and its relations with the United States are also priority issues in Turkish foreign policy.

Turkey's new foreign policy team also takes into consideration the increasingly important role of Russia in the Eurasian energy market. As opposed to the BTC construction years, where Turkey was more focused on facilitating Georgia and Azerbaijan's integration with the West and was resisting Russian objections to the BTC construction, Turkey is now pursuing different policies. Namely, there has been a noticeable rapprochement between Russia and Turkey.<sup>42</sup> Along with being close trading partners, the two countries are cooperating on energy issues as well as conflict resolution issues in the South Caucasus.<sup>43</sup> The Russian factor in Turkey's new foreign policy course is important because of Russia's close political-military ties to Armenia. Discussing Turkey's close relations with Russia will help to understand Azerbaijan's concerns over

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<sup>40</sup> Fatma Demirelli, "Man of the Year," Today's Zaman [**italicized?**], December 31, 2009, <http://www.todayszaman.com/tz-web/news-197119-man-of-the-year-turkeys-foreign-policy-transformed-as-theoretician-ahmet-davutoglu-takes-the-helm.html>.

<sup>41</sup> "Davutoğlu and the Policy of 'Zero Problems with Neighbours'," European Stability Initiative, [http://www.esiweb.org/index.php?lang=en&id=281&story\\_ID=25&slide\\_ID=2](http://www.esiweb.org/index.php?lang=en&id=281&story_ID=25&slide_ID=2).

<sup>42</sup> Marlene Laruelle, "Russo-Turkish Rapprochement through the Idea of Eurasia: Alexander Dugin's Networks in Turkey," April 2008, <http://www.jamestown.org/uploads/media/Jamestown-LaruelleRussoTurkish.pdf>.

<sup>43</sup> Laruelle, "Russo-Turkish Rapprochement through the Idea of Eurasia."

being left out in the region without an ally on the NK issue.

### **Turkish – Armenian rapprochement and Azerbaijan’s reaction**

Turkey’s active policy in the South Caucasus first revealed itself in the aftermath of the Georgia-Russia August 2008 war. After the conflict, Turkey proposed to create a South Caucasus Security and Cooperation Platform that would include Armenia, Azerbaijan, Georgia, Russia, and Turkey. Interestingly, Turkey did not include the United States in this platform and decided to proceed independently together with Russia,<sup>44</sup> even though the United States is one of the official mediators for the NK conflict under the aegis of the OSCE.

According to Turkish logic, the platform would help to resolve regional security problems, including protracted conflicts—such as the NK conflict—on a regional and more cohesive basis without outside involvement. The reaction in Azerbaijan, however, was that such a platform would legitimize the occupation of Azerbaijan’s territories and more importantly, Armenia would feel less urgency committing itself to resolving the conflict.<sup>45</sup> According to the Deputy Foreign Minister Araz Azimov, Azerbaijan welcomes the initiatives but only after the resolution of the NK conflict.<sup>46</sup> This demonstrates the importance that Azerbaijan attaches to solving the conflict and the fact that Turkish-Azerbaijani positions are no longer as much in line as they were during the BTC construction years.

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<sup>44</sup> Ruben Safrastyan, “South Caucasus: Stability Platform and Conflicts,” International Analyst Network, October 5, 2008, [http://www.analyst-network.com/article.php?art\\_id=2481](http://www.analyst-network.com/article.php?art_id=2481).

<sup>45</sup> Fariz Ismailzade (head of International Affairs Department at the Azerbaijani Diplomatic Academy, Ministry of Foreign Affairs), personal interview, February 10, 2010.

<sup>46</sup> “A Club of Five Gentleman or What Platform is the Platform of Stability Preparing?” Arsakhtert Armenian News, <http://www.artsakhtert.com/eng/right.php?st=8&id=201>

The inclusion of Russia and Armenia on the one hand, and Georgia with Azerbaijan on the other, into one policy initiative is one of the greatest differences in Turkey's approach to regional issues, and is also one of the biggest differences in its policy during the BTC construction. Then, Turkey was more concerned with facilitating the transition of Georgia and energy-rich Azerbaijan into closer cooperation with NATO and the EU in order to increase its importance for the Euro-Atlantic structures. Initiatives like the South Caucasus Stability Platform are signs of a more ambitious Turkish foreign policy that includes all parties in the South Caucasus. The perception in Baku is that being in such organization without strong ties outside would isolate Azerbaijan.

Azerbaijan's concerns over Turkish policies became even more pronounced after the so-called "football diplomacy" between Turkey and Armenia.<sup>47</sup> In 2008, Turkish and Armenian presidents watched the World Football Cup 2010 qualification match between Armenia and Turkey together. This was a very symbolic gesture indicating the beginning of rapprochement between the two countries. The media was quick to dub the event as "football diplomacy" between Turkey and Armenia.

Tensions escalated between Azerbaijan and Turkey in 2009, which is a sharp contrast to the years of the BTC's construction.<sup>48</sup> Until a few years ago, it was inconceivable in Azerbaijan that Turkey would trump its most important foreign policy priority, the NK conflict. Turkey's aims to eventually open its borders to Armenia and its strengthening cooperation with Russia (which is institutionally tied to Armenia through

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<sup>47</sup> "Turkey, Armenia pursue 'Football Diplomacy'," Associated Press, October 13, 2009, <http://www.foxnews.com/story/0,2933,565241,00.html>.

<sup>48</sup> "Ankara Launches Bid to Diffuse Tensions with Azerbaijan," Armenian Diaspora, October 22, 2009, <http://www.armeniadiaspora.com/news/armenia-turkey/778-ankara-launches-bid-to-defuse-tension-with-azerbaijan.html>.

CSTO), was perceived as abandonment by Azerbaijan, especially with respect to the conflict. Azerbaijan is also acutely aware that without Turkey, it loses a great deal of leverage in the conflict.

After the so-called “football diplomacy,” the relations between Armenia and Turkey began to develop rapidly.<sup>49</sup> It was becoming evident that borders were going to be reopened. In order to pacify Azerbaijan and Turkey’s nationalist opposition, Erdogan of Turkey visited Azerbaijan in May 2009.<sup>50</sup> In his joint statement with the Azerbaijani president he stated that: “here is a cause and effect relation here. Occupation of Karabakh is the cause here and closing of the border is the effect. It is impossible for us to open the border unless that occupation ends”<sup>51</sup>.

In September 2009, however, news started spreading that Turkey and Armenia were expected to sign two protocols,<sup>52</sup> whereby diplomatic relations would be established between the two countries and borders between them would be reopened. The new wave of disappointment came to Azerbaijan during the second football match between Turkey and Armenia, in September 2009, this time in Bursa, Turkey.<sup>53</sup> The match was followed

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<sup>49</sup> Rovshan Ibrahimov, “Turkish-Armenian Rapprochement and Disagreements with Azerbaijan: A View from Baku,” Turkish Weekly, December 27, 2009, <http://www.turkishweekly.net/columnist/3258/turkish-armenian-rapprochement-and-disagreements-with-azerbaijan-a-view-from-baku.html>.

<sup>50</sup> Shamkhal Abilov, “Turkish Prime Minister Recep Tayyip Erdogan’s Baku Visit: Relations Back on the Track,” Turkish Weekly, May 13, 2009, <http://www.turkishweekly.net/news/76650/turkish-prime-minister-recep-tayyip-erdogan-39-s-baku-visit-relations-back-on-the-track.html>.

<sup>51</sup> “In Baku, Erdogan pledges continued support for Azerbaijan,” Asbarez, May 13, 2009, <http://www.asbarez.com/62270/in-baku-erdogan-pledges-continued-support-for-azerbaijan/>.

<sup>52</sup> “Turkey and Armenia Normalize Ties,” BBC News, October 10, 2009, <http://news.bbc.co.uk/2/hi/8299712.stm>

<sup>53</sup> “Turkish-Armenian Football Diplomacy Gets a Rematch in Bursa,” Radio Free Europe, October 14, 2009,

by barring the Azerbaijani flag from entering the stadium. Azerbaijan responded by bringing down the Turkish flags at the military memorial in Baku. Tensions, however, eased after Davutoğlu's visit to Baku, where he reassured the Azerbaijanis that the borders will remain closed until Armenia withdraws from the NK.

Despite Davutoğlu's reassurances, on October 10, 2009, the protocols were signed in Zurich by him and his Armenian counterpart Edward Nalbandian, establishing diplomatic relations between the two countries and further creating the possibility of the border opening in the future. Both protocols were meant to enter into force two months after ratification by the legislatures of both states. The parliaments, however, have not ratified the protocols yet. Turkey argues that ratification may be possible if Armenia releases five districts adjacent to the NK.<sup>54</sup> It should be noted that the majority of the Turkish public is against the reopening of borders with Armenia before the progress on the NK conflict.<sup>55</sup>

Azerbaijan, however, views the signing of both the protocols as a threat to its stance on the NK conflict. Furthermore, Azerbaijan fears losing its main supporter—Turkey. It is interesting that Azerbaijan's agreement to sell 500 bcm in June of 2009<sup>56</sup> (just recently it has increased to 1000 bcm) of gas to Russia coincided with the waves of Turkish – Armenian rapprochement as well as the Armenian president's historic visit to

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[http://www.rferl.org/content/TurkishArmenian\\_Football\\_Diplomacy\\_Heads\\_For\\_Rematch\\_In\\_Bursa/1851889.html](http://www.rferl.org/content/TurkishArmenian_Football_Diplomacy_Heads_For_Rematch_In_Bursa/1851889.html).

<sup>54</sup> "Turkish Parliament Unlikely Ratify Protocols," Armenian Town, February 15, 2010, <http://www.armtown.com/news/en/pan/20100215/42915/>.

<sup>55</sup> "Turkey: Armenia Must Pull Out of Nagorno-Karabakh," Associated Press, October 11, 2009, <http://www.foxnews.com/story/0,2933,564021,00.html>.

<sup>56</sup> "Gazprom to Increase Gas Purchases from Azerbaijan to 2 bcm by 2011," Ria Novosti, January 21, 2010, <http://en.rian.ru/business/20100121/157637562.html>.



Turkey to watch a football game together with the Turkish president. According to Mikhail Tsyarkin, professor of Eurasian Studies at the U.S. Naval Postgraduate School, it is very likely that Azerbaijan will be using its gas resources to inform Turkey and the West of its concerns with Turkish-Armenian rapprochement and its implications for the NK conflict.<sup>57</sup> More interestingly, Azerbaijan only agreed to sell gas to Russia in October 2009, when the Turkish-Armenian protocols on normalizations of relations and opening their mutual border were signed. There is a great chance thus that Azerbaijan is using the NABUCCO pipeline to remind Turkey of the NK.<sup>58</sup> According to Fariz Ismailzade, head of international affairs department at the Diplomatic Academy of Azerbaijan, noted that Azerbaijan will be seeking alternative energy corridors if tensions around the Turkish-Armenian rapprochement escalate.<sup>59</sup>

Azerbaijan's active promotion of the BTC oil pipeline in the 1990s and 2000s is an unprecedented step to deliver gas to Russia, while at the same time holding talks on another energy pipeline that was meant to provide Europe with gas. There are serious doubts about Azerbaijan's potential to supply the NABUCCO with sufficient gas. According to Taleh Ziyadov, deputy dean of the Diplomatic Academy of Azerbaijan at the Ministry of Foreign Affairs, Azerbaijan is essential for filling the initial stage of the NABUCCO gas pipeline since Azerbaijani gas is sufficient for starting the project and operating it during the first phases.<sup>60</sup> Azerbaijan's importance for starting the NABUCCO gas pipeline is dictated by the fact that currently there are no other suppliers available for

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<sup>57</sup> Mikhail Tsyarkin, personal phone interview by the author, February 5, 2010.

<sup>58</sup> Thomas de Waal, "Armenia and Turkey: The Truce in Need of a Rescue," *Los Angeles Times*, February 5, 2010, <http://articles.latimes.com/2010/feb/05/opinion/la-oe-barkey5-2010feb05?pg=2>.

<sup>59</sup> Fariz Ismailzade, interview by the author, February 11, 2010, Washington, D.C.

<sup>60</sup> Taleh Ziyadov, interview by the author, February 11, 2010, Washington, D.C.

this role. In this case, Azerbaijan's decision to sell considerable amounts of gas to Russia, and possibly, increase this amount in the future, might jeopardize the NABUCCO's implementation at its first stages.

By delaying the project and selling gas to Russia, Azerbaijan hopes to influence Turkey, either through the United States or the EU. Most Azerbaijani and Turkish officials, however, assert that the main problem between Turkey and Azerbaijan is not the NABUCCO but the price of gas that Azerbaijan sells to Turkey for domestic consumption—currently Azerbaijan only receives 30 percent of the market price for the gas that it sells to Turkey.<sup>61</sup> Azerbaijan's official statements of its disapproval of such gas prices came just a few days after Turkish-Armenian protocols were signed in October 2009. Aliyev has been using the NABUCCO pipeline in his statements for the past few months. In his recent interview with *Bloomberg*, he warned that the NABUCCO is being delayed because of the lack of leadership in the project. Aliyev also stated that if this situation continues, Azerbaijan would sell more gas to Russia, which will jeopardize the NABUCCO project.<sup>62</sup>

Turkish rapprochement with Armenia has also made Azerbaijan consider the Russian option more closely. Russia now has greater political weight in Eurasia, which was especially evident after the Russia-Georgia War of August 2008.<sup>63</sup> The war altered

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<sup>61</sup> Shahin Abbasov, "Azerbaijan: Baku sees Turkey as tough customer on gas exports," Eurasianet.org, November 17, 2009,

<http://www.eurasianet.org/departments/business/articles/eav111709.shtml>.

<sup>62</sup> Stephen Bierman, "EU fails to challenge Gazporm in Caspian, Aliyev says," Bloomberg.com, January 28, 2010,

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aqTec9Lu28G4>.

<sup>63</sup> Mamuka Tsereteli, "The impact of the Russia-Georgia war on South Caucasus transportation corridor," 2009,

[http://www.jamestown.org/uploads/media/Full\\_Mamuka\\_RussiaGeorgia.pdf](http://www.jamestown.org/uploads/media/Full_Mamuka_RussiaGeorgia.pdf).

the traditional political configuration in the region and pushed Azerbaijan more into the Russian political orbit. In light of Turkish-Armenian as well as Turkish-Russian rapprochement, Azerbaijan had no other choice but to accept Russia's more active mediation of the NK conflict after August 2008. (For the past few years, Moscow has been very active in mediating the NK conflict between Armenia and Azerbaijan in a trilateral format.)<sup>64</sup>

The NABUCCO gas pipeline and its gas resources are some of the main tools at Azerbaijan's disposal to use for two reasons. First, it serves as a warning to the EU, Turkey, and the United States that the Azerbaijani gas resources for the NABUCCO project can be diverted to Russia instead. Second, if favorable results are not produced, Azerbaijan will increase interdependency with Russia, as it will see Russia as the only regional power that is potentially able to influence the resolution of the NK conflict.

As was the case with the BTC oil pipeline, Azerbaijan hopes to attract more attention and investment from the West in order to reemphasize its importance. This would help Azerbaijan to restore the BTC-era political dynamism that would in turn enable it to lobby its stance on the NK in the West. Moreover, revenues from the NABUCCO pipeline will help Azerbaijan further improve its economy.

### **Chapter 3**

#### **Implications of Turkish – Armenian rapprochement to NABUCCO pipeline**

The current situation around the construction of the geopolitically and economically important NABUCCO gas pipeline differs greatly from that of the BTC political situation. There are several success factors that were present during the BTC oil

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<sup>64</sup> See section 1.3. on Turkish-Armenian rapprochement.

pipeline's construction and are currently absent in NABUCCO's realization phase. First is the change in Turkey's foreign policy course, which is more assertive and active in the South Caucasus, and aims at engaging all South Caucasian nations. Second is Russia's assertive energy as well as political-military policy. This situation, if not modified, creates a tremendous obstacle for the realization of the NABUCCO gas pipeline.

Azerbaijan aspires for more cohesiveness in regional integration that is only possible through the resolution of the NK conflict as well as Turkish-Armenian rapprochement. For this reason, Azerbaijan will use all available means to defend its position on the NK conflict, including the NABUCCO pipeline, and its gas resources.<sup>65</sup>

If Azerbaijan diverts its energy supply routes as its president warns, there are certain political and economic consequences for the EU and Turkey. Following is the list of potential consequences to the interests of Turkey:

### **Consequences and policy recommendations for Turkey**

With its highly diversified and multi-dimensional foreign policy based on exploring new positive relations with its neighboring countries, based on its own interests, needs, priorities, and capabilities, Turkey has emerged from a Western political-military flank as an ambitious regional power on the rise, now able to exploit different regional roles. If Turkey, however, wants to establish itself as a key regional energy hub, and wants to gain access to energy resources of its Central Asian brethren across the Caspian as well as to energy resources of the South Caucasus, it will need to have access to Azerbaijan first.<sup>66</sup> It is worth mentioning that Armenia would be an excellent short

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<sup>65</sup> Mikhail Tsympkin, phone interview by the author, February 5, 2010.

<sup>66</sup> Bala Chelebi, "Southern Energy Corridor in Context," Today's Zaman, May 8, 2009, <http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=174626>.

corridor for regional projects that involve Azerbaijan and Turkey, provided there was no conflict in the NK. Azerbaijan's stance on the NK seems to be vehement and it does not seem to be willing to cede this territory. In this case, the NABUCCO pipeline—an important project that gives Turkey a chance to bolster its image as a regional energy hub—is under the threat of being terminated before even inception. Having the NABUCCO pipeline filled with Azerbaijani gas, Turkey might gain a chance of bringing Turkmenistan's gas across the Caspian. By bringing Turkmen gas, the NABUCCO pipeline will have additional gas volumes. This would justify the construction of the NABUCCO pipeline even more. Not only would access to Azerbaijan enable Turkey to gain access to Turkmenistan's energy resources but it would also gain more influence in its kin country.

Therefore, the hasty rapprochement between Armenia and Turkey without considering Azerbaijan's stance on the NK conflict will not bring the desired result for Turkey. Azerbaijan will have no other choice but to favor Russian political benevolence and energy corridors. Azerbaijan's harsh reactions to “football diplomacy,” which involved the Azerbaijani president's warnings on diverting gas routes to Russia away from the NABUCCO pipeline, are all evidence of the seriousness on the part of Azerbaijan. Turkey should continue to view both the NK conflict resolution and Turkish-Armenian rapprochement as interconnected and interdependent.

Turkey should indeed continue its rapprochement with Armenia but not at the expense of its relationship with Azerbaijan. Turkey's desire for an increased regional power is dependent on great regional cooperation that can only be achieved if Armenia and Azerbaijan can resolve the NK conflict. And it would be in Turkey's interest to

ensure that both processes go hand in hand.

### **Final remarks**

There are positive incentives and favorable political developments in the region as opposed to the 1990s and early 2000s. Turkish-Armenian and U.S.-Russian rapprochement is important given the fact that all these are important players in the NK conflict. Convergent interests of these countries can help both Armenia and Azerbaijan to finalize their unresolved issues with regards to the NK conflict. At the same time, Azerbaijan's willingness to expand regional cooperation after the NK conflict resolution, and to include Armenia, is an important factor that could alter the current status quo. Turkish-Armenian rapprochement is also important for a positive transformation of the region and for lessening tensions.

Azerbaijan will not be opposed to such a scenario if all regional transformations go hand-in-hand. Given the importance of this region, which is an important energy and transportation corridor, where the interests of the EU, Russia, Turkey, and the United States overlap, it is imperative to consider all details in order to use the opportunity for increased cooperation between the formerly antagonist countries.

Normalization of Armenian, Azerbaijani, and Turkish relations will serve many purposes, among which energy security holds an important niche. Projects like the NABUCCO pipeline and the future of energy and East-West transportation projects can only be realized in their full potential after long-standing issues like the NK conflict are resolved along with the instability created by the Turkish-Armenian rapprochement.

## Appendix 1 – NABUCCO pipeline map



## Appendix 2 – Baku – Tbilisi – Ceyhan pipeline map





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